VERMONT ECONOMIC PROGRESS COUNCIL

VERMONT EMPLOYMENT GROWTH INCENTIVE PRELIMINARY APPLICATION INSTRUCTIONS

(NOTE: THESE INSTRUCTIONS ARE FOR USE WITH ONLY THE VEGI PRELIMINARY APPLICATION FORMS. DO NOT USE WITH THE REGULAR INITIAL OF FINAL APPLICATION FORMS)

VEGI PRELIMINARY APPLICATION INSTRUCTIONS

General Notes:

- Potential applicants to the Vermont Employment Growth Incentive program must contact VEPC staff by emailing or calling Fred Kenney at (802) 828-5256 or fred.kenney@state.vt.us prior to filing an application. You must speak with VEPC staff before a Preliminary Application is started or submitted.

- Potential applicants must review these line-by-line instructions, the VEGI Administrative Rules document, the VEGI Program Information, and the VEGI Statute, prior to completing an application (see: http://economicdevelopment.vermont.gov/Programs/VEPC/VermontEmploymentGrowthIncentiveProgram/ApplicationInstructionsandForms/tabid/307/Default.aspx)

- Preliminary Applications may be filed at any time (i.e. there is no deadline or due date), but you must consult with VEPC staff by emailing or calling Fred Kenney at (802) 828-5256 or fred.kenney@state.vt.us.

- Preliminary Applications must be filed electronically, using only the official VEGI Preliminary Application forms in Microsoft Excel format. Scanned or PDF forms will not be accepted.

- **ONCE YOU HAVE COMPLETED THE PRELIMINARY APPLICATION FORM, OPEN THE DOCUMENT *"VEGI PRE-APPLICATION - COMMON APPLICATION ERRORS*." THIS DOCUMENT WILL HELP YOU AVOID SOME COMMON APPLICATION ERRORS THAT MAY CAUSE DELAY OR MISCALCULATION OF THE INCENTIVE. REVIEW YOUR APPLICATION USING THE FORM, CHECK OFF EACH ITEM TO CERTIFY THAT YOU REVIEWED THAT ITEM, CERTIFY THAT YOU HAVE DONE THE REVIEW AND FILL IN YOUR NAME, ETC AND FILE THE FORM WITH YOUR PRELIMINARY APPLICATION.**

- If, after receiving a PreApplication VEGI estimate from VEPC, you wish to complete and file an Initial or Final VEGI Application for consideration by the Vermont Economic Progress Council, you must create a user account on the web-based ***VEGI Application and Claim System***. For instructions, contact Fred Kenney at (802) 828-5256 or fred.kenney@state.vt.us

General instructions:

- This form may be used for a VEGI Pre-Application only.
- Form A provides general information about the applicant company and project.

Line-by-Line Instructions:

- Line 3: Enter the official or legal name of the company applying for incentives. Use the official name of the company as it would appear on tax filings. If name is not yet established, enter name as it is known at time of Pre-Application and enter after name "TBD."
- Line 4: Enter the commonly used name of the company applying for incentives, if different from official name. (i.e. dba name).
- Line 5: Enter the ***mailing address*** of the applicant company.
- Line 6a: Enter the city/town associated with the mailing address in Line 5.
- Line 6b: Enter the State associated with the mailing address in Line 5.
- Line 7a: Enter the 9-digit Postal Code associated with the mailing address in Line 5.
- Line 7b: Enter the Country associated with the mailing address in Line 7.
- Line 8a: Enter the main telephone number for the applicant company (Format: (012)345-6789). Include an extension number if appropriate.
- Line 8b: Enter the main fax number for the applicant company (Format: (012)345–6789).
- Line 9: Enter the six-digit North American Industrial Classification System (NAICS) code for the applicant business (Format: 123456). If the applicant business is involved in many kinds of activity, the NAICS code utilized must be for the activity in Vermont for which the incentive is being sought. For assistance with determining the correct NAICS code, visit the U.S. Department of Labor website: http://www.census.gov/eos/www/naics/ or contact your tax preparer.
- Line 10: Enter the corporate structure of the applicant company by clicking on the box and choosing from the selections in the drop down list (C, S, Sole Proprietor, Partnership, LLC, LLP, Not-for-Profit, Non-Profit, Other, or Undecided).
- Line 11: Indicate the applicant company fiscal year end (Format: June 30).

- Line 12: Enter the state in which the applicant business is incorporated as listed with the Vermont Secretary of State. If the applicant company has never operated in Vermont and is therefore not registered with the Vermont Secretary of State, enter the state of incorporation on Line 12 and, prior to operating your business in Vermont, register your business with the Vermont Secretary of State. You do not need to register with the Secretary of State prior to submitting this Preliminary Application or a full application for VEGI incentives. You must register prior to operating a business in Vermont.
- Line 13: Using the pull-down menu, select the best description of the company/project that is the subject of this application (Expansion of Vermont Company; Expansion of Multi-state Division Already in Vermont; Moving a Multi-state Division to Vermont; Establishing a new Division of a Multi-state Company in Vermont; Establishing a Completely New Business)
- Line 14: If the applicant business is or will be a Vermont division, subsidiary, or other type of entity belonging to a multi-state company, enter the state or country in which the parent company is located. If applicant is a Vermont company, enter "N/A".
- Line 15: Enter the physical address of the proposed project, including the street, city/town and zip code. If the physical address is not yet known, enter a description of the property (i.e. Former Quick Widget facility, Great Intentions Industrial Park, Anyplace). If several project location sites in Vermont are under consideration, list all sites. If the project location(s) has not yet been determined, state as much information as is known, but no less than the Vermont County(ies).
- Lines 17-25: Enter the contact information details requested for the application contact person within the applicant company who is most knowledgeable about this application and will serve as the contact point during the application process. This person should not be an outside accountant, consultant, or Regional Development Corporation staff. **If the phone number requires an extension to reach this person, include the extension number**. You must include an email address.
- Line 26: Enter a broad description of the primary business of the applicant company (i.e. manufacturer of widgets for the automotive industry). Do not describe here the project that is proposed. This line should describe the general business activity of the applicant company.
- Line 27: Enter a description of the business activity and project that will occur in Vermont if the incentives are authorized (i.e. Build a new 3000 sf facility in Anywhere, Vermont and hire 30 new employees to design, manufacture, and ship six inch widgets for General Motors). If there will be several different activities occurring (i.e manufacturing, research and development, warehousing/shipping), describe all activities and explain which activity will be the primary activity.

- Line 28: Enter "Yes" or "No" to indicate if the applicant company believes it is eligible for the enhanced VEGI incentives for Environmental Technology companies. Applicants may be eligible if the applicant is or will be subject to income taxation in Vermont (i.e. is a for-profit company) and the activity to be incented will be primarily in research, design, engineering, development, or manufacturing related to any one or more of the following:
  - Waste management, including waste collection, treatment, disposal, reduction, recycling, and remediation.
  - Natural resource protection and management including water and wastewater purification and treatment, air pollution control and prevention or–remediation, soil and groundwater protection or remediation, and hazardous waste control or remediation.
  - Energy efficiency or conservation.
  - Clean energy, including solar, wind, wave, hydro, geothermal, hydrogen, fuel cells, waste-to-energy, or biomass.

  A determination of eligibility for the enhanced VEGI incentives for Environmental Technology companies will be made by the Secretary of Commerce.

- Line 29: Using the drop down menus, enter an estimated "Activity Commencement Date," which is the date the economic activity for which the incentives are sought would begin. This date must be in the future and be **AFTER** the date you expect to have a formal application to be considered by the Vermont Economic Progress Council. By entering this date, you are stating that the economic activity (new jobs, capital investments), which are entered on Form B and which will occur because of the VEGI incentive, will only occur ***after*** this date. Any economic activity that will occur during the calendar year of application, but prior to the Activity Commencement Date should be included in the "***As of the Activity Commencement Date***" section (Section 1) of Form B. All prospective economic activity that will occur after the Activity Commencement Date should be included in Year 1 and subsequent years. For example, if, after you receive this estimate of VEGI incentives, you will file a complete formal application for consideration at a May VEPC meeting, the ***Activity Commencement Date*** should be after the third Thursday in May, say July 1. For Form B, Line L7, you would enter the value of any New Machinery and Equipment purchased between January 1 and June 30. This investment is not included in the incentive calculation as the purchase occurred prior to the ***Activity Commencement Date*** and already occurred and therefore, cannot be the basis for an incentive. The value of investments in New Machinery and Equipment that will occur after July 1 because of the incentive that is being sought are included on Form B, Line 49 under Year 1. These investments will be included in the incentive calculation. The headcount is handled similarly. In Section 1, you enter the headcount for the various categories for the day preceding the Activity Commencement Date.

The payroll is entered as an annualized payroll for the headcounts as of the Activity Commencement Date. Again, for purposes of this Preliminary Application, this date is an estimate.

- Line 30: Using the drop down menus, enter the date you are submitting this Preliminary Application to VEPC.

FORM B INSTRUCTIONS — APPLICANT PROJECT DATA

General Instructions:

- Review the VEGI Administrative Rules document, the VEGI Program Information document, and the VEGI Statute, prior to completing this form (See: http://economicdevelopment.vermont.gov/Programs/VEPC/VermontEmploymentGrowthIncentiveProgram/ApplicationSupport/tabid/308/Default.aspx).
- Express any dollar values using all digits and only digits. For example, enter 1000000 for $1,000,000, not $1 million.
- Do not enter commas, dollar or percent signs; they will enter automatically as needed.
- Enter data only on lines and in cells for which you are instructed. Subtotals and totals will automatically calculate in white cells and in the outside margins.
- Contract, temporary agency employees, or employees who work outside of Vermont must not be included in the data. Only employees paid Medicare wages directly by the applicant for work in Vermont may be included.
- Income from non-statutory stock options must be excluded from Vermont gross wages and salaries wherever requested.
- **All data must be based on a calendar year, not a company fiscal or tax year, unless that is also the calendar year. If you operate on a non-calendar fiscal year and you have made projections based on your fiscal year, you must adjust those projections to the calendar year to enter data on your VEGI application. Also, note that if you apply mid-year for activity that will commence during the application year, you must meet your targets by December 31 of that year. You do not have a full twelve months to meet targets.**

- Year 0 is the base year or the year prior to the ***Activity Commencement Date*** of the economic activity for which incentives are sought. Year 1 is the year in which the economic activity for which incentives are sought will commence.

  Applications filed during Year 0 for incented activity that will begin in Year 1: Applications may be submitted during Year 0 for activity that will begin the following year. For example, you can apply in October 2008 (Year 0) for activity that will begin in January 2009 (Year 1). Your ***Activity Commencement Date*** is January 1, 2009 However, any activity that occurs between the date of application and the start of the authorization period (between October 1, 2008 and December 31, 2008 in this example) would not be eligible for the incentive.

  Applications filed during Year 1 for incented activity that will begin in Year 1: You may also apply in the same year that activity will begin. For example, you could apply in April 2008 (Year 1) for activity that will begin in July 2008 (Year 1). The base year (Year 0) is 2007 and your ***Activity Commencement Date*** is July 1, 2008. Any activity that might occur between January 1, 2008 and June 30, 2008 would be recorded in the "***As of Activity Commencement Date***" section of Form B and activity occurring between July 1, 2008 and December 31, 2008 would be entered in Year 1 under the appropriate section (Payroll, Employment, Capital Investment).

- **Remember: If you apply and are authorized during Year 1, you must meet or exceed your targets by December 31 of Year 1. You only have a full twelve months to meet your targets if your Activity Commencement Date is January 1. Otherwise, you have the days remaining between your Activity Commencement Date and December 31 to meet your Year 1 targets.**

- If the applicant company is considering relocating to Vermont, is a start-up, or the project involves the establishment of a new division or enterprise in Vermont, and therefore has no employees currently employed in Vermont, Section 1 and Years -3 through Year 0 should contain all zeroes.

- It is recognized that the data requested for Years 1-5 are projections and that the data in this Preliminary Application are estimations only. However, if you proceed to and file an Initial and /or Final application, you are setting your own annual payroll, job, and capital investment performance targets in the Final Application. Therefore, applicants must provide realistic and accurate projections.

- Employment and Payroll estimates should reflect all projected hiring plans and fluctuations in hiring, such as attrition and layoffs. Remember, you are setting your own performance targets with your projections. If in Year 1 you expect (due to historical experience) that 2 full-time employees will leave, retire, or otherwise end their employment, you must account for that in your projections. Adjust your projection of "new" full-time employment and payroll so that the projections represent ***net*** new employment and payroll. For example, if your ***Activity Commencement Date*** is July 1 and you project that 10 new qualifying employees will be hired between July 1 and December 31 of Year 1, but you know from experience that you will probably also lose 2 employees by then, you should project 8 new qualifying employees and the new qualifying payroll should be for only those 8 net new qualifying employees.

- **VEGI WAGE THRESHOLD**: The VEGI Wage Threshold is 160% of the Vermont Minimum Wage, which increases each year by the rate of inflation (CPI). The Wage Threshold that will apply is the threshold in effect at the time a Final Application is approved. That threshold applies for the life of the authorization. If a Preliminary Application is submitted for activity that will begin in the next calendar year, the applicant should consult with VEPC staff regarding the Wage Threshold that is likely to be in effect at the time of Final Application consideration. For more information on the Wage Threshold and to see the current Wage Threshold, go to: http://economicdevelopment.vermont.gov/Programs/VEPC/VermontEmploymentGrowthIncentiveProgram/ApplicationSupport/tabid/308/Default.aspx

  Click on "VEGI Wage threshold" under "Background Information," or contact Fred Kenney at (802)828-5256 or fred.kenney@state.vt.us

- This is a Pre-Application. You will not be held to the projections in the Pre-Application. Nor is the estimate of incentives you will receive an approval of or authorization for incentives. You must file a formal VEGI application (Initial or Final) on the VEGI Application and Claim System, which will be considered by the VEPC Board in order to receive incentive approval. You may file an Initial Application, followed by a Final Application, as long as the Final is filed and considered prior to the end of the calendar year in which the Activity Commencement date occurs. For more information on Initial vs Final Application, go to: http://economicdevelopment.vermont.gov/Programs/VEPC/VermontEmploymentGrowthIncentiveProgram/ApplicationSupport/tabid/308/Default.aspx and click on "Initial vs. Final Applications."

LINE-BY-LINE INSTRUCTIONS:

Section 1: Employment, Payroll, and Capital Investments "*As of the Activity Commencement Date*":

This section records your employment, payroll and investments during Year 1 up to the day before your "*Activity Commencement Date*." Data on employment, payroll and investments during Year 1 between the *Activity Commencement Date* and December 31 of Year 1 are recorded in the next section. For more detail on the "*Activity Commencement Date*" see the General Instructions above.

Examples:

- **You are applying in May 2009 and your "*Activity Commencement Date*" is July 1, 2009. The data in this section would show employment as of June 30, 2009, the annualized payroll for the employees in place as of June 30, 2009, and capital investments made between January 1, 2009 and June 30, 2009.**
- **You are applying in July 2009 and your "*Activity Commencement Date*" is September 1, 2009. The data in this section would show employment as of August 31, 2009, the annualized payroll for the employees in place as of August 31, 2009, and capital investments made between January 1, 2009 and August 31, 2009.**
- **You are applying in September 2009 for a project that commences January 1, 2010. The employment and payroll data would be exactly the same as in the next section for Year 0 and the capital investment section would be zeroes.**

- Line 7L: **Acquired Machinery and Equipment:** Enter the total expenditures during Year 1, **up to the day before the Activity Commencement Date**, for machinery and equipment that was acquired – that is, already existed and was in place in Vermont - as assets by the applicant and utilized in Vermont by the applicant. For example, if the applicant purchased an existing building or company and equipment in Vermont, include on this line only the value of the existing machinery and equipment that was acquired. If there were no such expenditures, enter 0.

- Line 8D and H: **Owner Employees**: Enter the number of employees (8D) **as of the day before the Activity Commencement Date** and an annualized payroll amount (8H) for those employees, for only employees who are also **owners**, only if: 1) They are paid Medicare wages or salaries that are reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application; and 2) They have a 10% or more ownership interest in the company that is the subject of this application, including attribution of ownership interests of the employee's spouse, parents, spouse's parents, siblings, and children. If an owner's interest, including attribution of ownership interest is less than 10%, and they receive Medicare wages or salaries, include them in another category. Do not include owners who do not receive Medicare wages or salaries. Do not include benefits in the wages and salaries.
- Line 8L: **New Machinery and Equipment**: Enter the total expenditures in Year 1, **between January 1 and the day before the Activity Commencement Date**, for **new** machinery and equipment for use in Vermont by the applicant. Include the costs to install the machinery and equipment. If there were no such expenditures, enter 0.
- Line 9D and H: **Part-Time/Temporary/Seasonal Employees**: Enter the number of employees (9D) **as of the day before the Activity Commencement Date,** and an annualized payroll amount for those employees (9H), for only employees who are temporary, seasonal, and/or work 34 hours or less per week (part-time) but are paid Medicare wages or salaries as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application. (See the exception for certain seasonal employees who should be included in Line 11 or 12). Do not include benefits in the wages and salaries.
- Line 9L: **Used Machinery and Equipment**: Enter the total expenditures during Year 1, **between January 1 and the day before the Activity Commencement Date**, for **used** machinery and equipment for use in Vermont by the applicant. Include the costs to install the machinery and equipment. If there were no such expenditures, enter 0.

- Line 10L: **Acquired Plants and Facilities:** Enter the total expenditures during Year 1, **between January 1 and the day before the Activity Commencement Date**, for any plant and/or facility that was acquired – that is, already existed and was in place in Vermont - as an asset by the applicant and utilized by the applicant. For example, if the applicant purchased an existing building or company and equipment in Vermont include on this line only the cost of the existing plant and facility that was acquired. If there were no such expenditures, enter 0.
- Line 11D and H: **Non-Qualifying Full-time Employees:** Enter the number of employees (11D) **<u>as of the day before the Activity Commencement Date,</u>** and an annualized payroll amount (11H) for those employees, for only employees that are permanent employees working 35 hours or more each week and earning Medicare wages or a salary (as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application) that is **<u>the same as or</u>** **<u>less than</u>** the wage threshold for the application year, or are seasonal employees working 35 hours or more each week **<u>only if</u>** such seasonal employees: 1) Earn Medicare wages or salary that are **<u>less than</u>** the wage threshold listed above when their salary or wage is annualized; 2) Maintain benefits during their seasonal months off; 3) May return to their jobs after their seasonal months off; and 4) Are not eligible for unemployment benefits during their seasonal months off. Do not include benefits in the wages and salaries.
- Line 11L: **New Plants and Facilities**: Enter the total expenditures during Year 1, **between January 1 and the day before the Activity Commencement Date**, for the construction of any new plant and facilities in Vermont that were built and owned by the applicant and utilized by the applicant. Include costs of scheduled site work, access to supporting utility services, and infrastructure (parking lots, water/sewer lines, etc.) paid for by the applicant. If there were no such expenditures, enter 0.
- Line 12D and H: **Qualifying Full-time Employees:** Enter the number of employees (12D) **<u>as of the day before the Activity Commencement Date</u>**, and an annualized payroll amount (12H) for those employees, for only employees that are permanent employees working 35 hours or more each week and earning Medicare wages or a salary (as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application) that is **<u>greater than</u>** the wage threshold for the application year, or are seasonal employees working 35 hours or

more each week **only if** such seasonal employees: 1) Earn Medicare wages or salary that is **greater than** the wage threshold listed above when their salary or wage is annualized; 2) Maintain benefits during their seasonal months off; 3) May return to their jobs after their seasonal months off; and 4) Are not eligible for unemployment benefits during their seasonal months off. Do not include benefits in the wages and salaries.

- Line 12L: P**lant and Facility Renovations/Fit-up**: Enter the total expenditures during Year 1, **between January 1 and the day before the Activity Commencement Date**, for any fit-up to leased facilities or renovations to facilities in Vermont owned by the applicant and utilized by the applicant. If there were no such expenditures, enter 0.

Section 2: Number of Employees – Annual Projections: This section records your historic and projected employment, by year and category.

- Line 15: This line and all other lines indicating the calendar year will auto-fill depending on the data you entered on Form A, Line 29, your Activity Commencement Date.
- Line 19: **Owner Employees:** For Year -3 through Year 0, enter the number of owner/employees employed in Vermont **as of December 31 for each year**. For Years 1 through 5 enter the number of new owner/employees who will **be added by December 31 for each year.** For this category, include only owner-employees, which means: 1) They are paid Medicare wages or salaries that are reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application; and 2) They have a 10% or more ownership interest in the company that is the subject of this application, including attribution of ownership interests of the employee's spouse, parents, spouse's parents, siblings, and children. If an owner's interest, including attribution of ownership interest is **less than** 10%, and they receive Medicare wages or salaries, include them in another category. Do not include owners who are not also employees and/or do not receive Medicare wages or salaries. **NOTE: For Year 1, enter only the new owner/employees who will be added between the Activity Commencement Date and December 31.**

- Line 20: **Part-time/Temporary/Seasonal Employees:** For Year -3 through Year 0, enter the number of employees employed in Vermont **as of December 31 for each year.** For Years 1 through 5 enter the number of employees who will be **added by December 31 for each year**. For this category, include only employees who are temporary, seasonal, and/or work 34 hours or less per week (part-time) but are paid Medicare wages or salaries as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application. (See the exception for certain seasonal employees who should be included in Line 22 or 24). **NOTE: For Year 1, enter only the new temporary, seasonal or part-time employees who will be added between the Activity Commencement Date and December 31.**
- Line 22: **Non-Qualifying Full-time Employees:** For Year -3 through Year 0, enter the number of employees employed in Vermont **as of December 31 for each year**. For Years 1 through 5 enter the number of employees who will be **added by December 31 for each year.** For this category, include only employees who are permanent employees working 35 hours or more each week and earning Medicare wages or a salary (as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application) that is **equal to or less than** the wage threshold for the application year.

See the General Instructions above for information on the VEGI Wage Threshold. **Do not use any other method to differentiate between non-qualified and qualified employees**. The only differentiating factor is the wage threshold.

Exception for certain seasonal employees: Seasonal employees working 35 hours or more each week may be counted as Non-qualifying, full-time employees (instead or temporary/seasonal/part-time) **only if** such seasonal employees: 1) Earn Medicare wages or salary that is **equal to or less than** the wage threshold for the application year when their salary or wage is annualized; 2) Maintain benefits during their seasonal months off; 3) May return to their jobs after their seasonal months off; and 4) Are not eligible for unemployment benefits during their seasonal months off.

NOTE: For Year 1, enter only the new non-qualified employees who will be added between the Activity Commencement Date and December 31.

- Line 24: **Existing Qualifying Full-time Employees:** For Year -3 through Year 0, enter the number of employees employed in Vermont **as of December 31 for each year**. For this category, include only employees who are permanent employees working 35 hours or more each week and earning Medicare wages or salaries (as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application) that are **greater than** the wage threshold for the application year.

See the General Instructions above for information on the VEGI Wage Threshold. **Do not use any other method to differentiate between non-qualified and qualified employees**. The only differentiating factor is the wage threshold.

Exception for certain seasonal employees: Seasonal employees working 35 hours or more each week may be counted as qualifying, full-time employees (instead or temporary/seasonal/part-time) **only if** such seasonal employees: 1) Earn Medicare wages or salary that is **greater than** the wage threshold for the application year when their salary or wage is annualized; 2) Maintain benefits during their seasonal months off; 3) May return to their jobs after their seasonal months off; and 4) Are not eligible for unemployment benefits during their seasonal months off.

NOTE: The headcount you enter on Line 25 are your <u>Job Targets</u> for each year, and count towards the two of three targets that must be met and maintained to actually earn and receive the incentive.

- Line 25: **New Qualifying Full-Time Employees (Job Targets)**: For Years 1 through 5, enter the number of **NEW** employees to be **<u>added by December 31 for each year.</u>** For this category, include only new employees who:
  - will become employed because of these incentives
  - will work 35 hours or more each week
  - will earn Medicare wages or salaries (as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application) that are **<u>greater than</u>** the wage threshold for the application year.

For Year 1, enter only the new, qualifying employees who will be added between the Activity Commencement Date and December 31.

Exception for certain seasonal employees: You may include seasonal employees working 35 hours or more each week **<u>only if</u>** such seasonal employees: 1) Earn Medicare wages or salaries that are **<u>greater than</u>** the wage threshold listed above when their salary or wage is annualized; 2) Maintain benefits during their seasonal months off; 3) May return to their jobs after their seasonal months off; and 4) Are not eligible for unemployment benefits during their seasonal months off.

Important notes for Job Targets:

- The numbers entered on this line should match the totals on Line 80 once you enter data on Lines 72-79.
- Be sure to adjust these estimates to account for any attrition that might occur so that these are net new jobs added. For example, if you project adding 10 new qualifying employees in Year 1, but know that you have an attrition rate that results in the loss of 2 jobs each year, the estimate should be adjusted to 8 new qualifying jobs.

Section 3: Payroll – Annual Projections

- Line 31: **Owner Employees:** For only the employees entered on line 19, for Years -3 through Year 0 enter the total annual Vermont gross wages and salaries that were paid to those employees. For Years 1-5, enter the total annual Vermont gross wages and salaries that will be paid to those employees, **<u>including annual increases and adjustments for attrition and other fluctuations</u>**. Gross wages and salaries are defined as Medicare wages and salaries as reported on Federal Tax Form W2 for employment in Vermont for the company that is the subject of this application.

  <u>Do not include</u>:

  - Income from non-statutory stock options even if they are included in W2 wages;
  - The cost of benefits that are not paid directly to employees and do not appear in their W2 Medicare wages.
  - One-time benefits that do not or will not recur each year such as signing bonuses or moving expenses.

- Line 32: **Part-time/Temporary/Seasonal Employees:** For only the employees entered on line 20, for Years -3 through Year 0 enter the total annual Vermont gross wages and salaries that were paid to those employees. For Years 1-5, enter the total annual Vermont gross wages and salaries that will be paid to those employees, **<u>including annual increases and adjustments for attrition and other fluctuations</u>**. Gross wages and salaries are defined as Medicare wages and salaries as reported on Federal Tax Form W2 for employment in Vermont for the company that is the subject of this application.

  <u>Do not include</u>:

  Income from non-statutory stock options even if they are included in W2 wages;
  The cost of benefits that are not paid directly to employees and do not appear in their W2 Medicare wages.
  One-time benefits that do not or will not recur each year such as signing bonuses or moving expenses.

- Line 34: **Non-Qualifying Full-time Employees:** For only the employees entered on line 22, for Years -3 through Year 0 enter the total annual Vermont gross wages and salaries that were paid to those employees. For Years 1-5, enter the total annual Vermont gross wages and salaries that will be paid to those employees, **<u>including annual increases and adjustments for attrition and other fluctuations</u>**. Gross wages and salaries are defined as Medicare wages and salaries as reported on Federal Tax Form W2 for employment in Vermont for the company that is the subject of this application.

  <u>Do not include</u>:

  - Income from non-statutory stock options even if they are included in W2 wages;
  - The cost of benefits that are not paid directly to employees and do not appear in their W2 Medicare wages.
  - One-time benefits that do not or will not recur each year such as signing bonuses or moving expenses.
- Line 36: **Existing Qualifying Full-time Employees:** For only the employees entered on line 24, for Years -3 through Year 0 enter the total annual Vermont gross wages and salaries that were paid to those employees. For Years 1 – 5, enter the total annual Vermont gross wages and salaries that will be paid to those employees who were employed in Vermont as of the Activity Commencement Date, **<u>including annual increases and adjustments for attrition and other fluctuations</u>**. Gross wages and salaries are defined as Medicare wages and salaries as reported on Federal Tax Form W2 for employment in Vermont for the company that is the subject of this application.

  <u>Do not include</u>:

  - Income from non-statutory stock options even if they are included in W2 wages;
  - The cost of benefits that are not paid directly to employees and do not appear in their W2 Medicare wages.
  - One-time benefits that do not or will not recur each year such as signing bonuses or moving expenses.

- Line 37: **New Qualifying Full-time Employees (Annual total payroll):** This line will automatically populate using a formula once you enter data on Lines 38 and 39.

NOTE: The payroll numbers you enter on Line 38 are your Payroll Targets, which <u>MUST</u> be met each year to earn the incentive. If new employees are hired partway through the year, their wages and salaries will be annualized for the calculation to determine if you have met the target each year. The actual amount of payroll paid to new qualifying employees will be used to calculate the first year incentive installment if the target is met. The annualized amount of payroll will be used to calculate the 2^{nd} through 5^{th} installments, assuming the jobs and payroll are maintained.

- Line 38: **Payroll Targets:** For only the **NEW** qualifying employees entered on Line 25 for Years 1-5, enter only the total annualized Vermont gross wages and salaries for only the new jobs that will be added each year. For example, if you enter 10 jobs on Line 25. What are the annualized wages and salaries for those 25 new, qualifying employees. Do **<u>not</u>** include annual increases for the new jobs added the previous year on this line. The annual amount of payroll on this line should accurately represent the **<u>annualized</u>** wages and salaries that will actually be paid to only the new qualified hires each year that are qualifying employees as entered on Line 25. Gross wages and salaries are defined as Medicare wages and salaries as reported on Federal Tax Form W2 for employment in Vermont for the company that is the subject of this application.

  <u>Do not include</u>:

  - Annual increases.
  - Income from non-statutory stock options even if they are included in W2 wages;
  - The cost of benefits that are not paid directly to employees and do not appear in their W2 Medicare wages.
  - One-time benefits that do not or will not recur each year such as signing bonuses or moving expenses.

The amounts entered on this line should approximate the data that automatically appears on Line 94 after the data is entered for Lines 72-79. They can differ as you are estimating actual payroll levels on Line 38 and the levels on Line 94 are based on average wages and salaries. If they are different, Line 38 should be lower and therefore more conservative estimates. If they are very different, you need to reconsider the data you entered on Line 38 or you have inaccurately entered the average wages/salaries or the number of employees on Lines 72-79.

DIFFERENCE BETWEEN LINES 37 AND 38: Line 38 isolates the annualized new qualified payroll that will be created EACH year for Years 1 – 5 for only the new, qualified employees listed on Line 25. Line 37, which will auto-populate, is the cumulative payroll amounts, including increases for the new employees added the previous years. You indicate the average annual increase amount that is used in this auto-calculation, on Line 39.

Example (company projects a 3% increase each year on Line 39):

	Year 1	Year 2	Year 3	Year 4	Year 5
Line 25	9	9	13	18	18
Line 37	$439,000	$943,000	$1,683,000	$2,599,000	$3,574,000
Line 38	$439,000	$491,000	$712,000	$865,000	$897,000

Note: The formula used to calculate Line 37, starting with Year 2 is:
=(h37)+(h37*1+d39)+i38

- Line 39: **Average Annual Increase in Wages/Salaries**: Enter the average of the projected annual increases in wages/salaries for all employees during the five-year project period, such as for cost of living increases. Do not include increases to payroll due to adding new employees. Use Format: 3. This percentage should represent the annual increase that will occur for the employees that already exist the previous year For example, if for Year 1 the expected overall increase in payroll for the employees that existed in Year 0 is 3%, and Year 2 is 3%, Year 3 is 2%, Year 4 is 2% and Year 5 is 4%, the average would be 3%. This percentage annual increase should be incorporated in the payroll data you enter for Years 1-5 on Lines 31, 32, 34, and 36 and will automatically be incorporated on Line 37.

- Line 40: **Benefits Ratio**: Enter a percentage (Format: 12) representing the projected percentage of total compensation that will be paid by the company in benefits to new employees, for benefits that are not included in the W2 wages and salaries. For example, if the company expects to pay 15% of payroll in non-W2 benefits (i.e. health care, IRA, etc.) on top of the payroll costs, enter 15. Note that the payroll data you are providing in Section 3 should be for wages and salaries **ONLY** and should not include the value of benefits. The ratio entered on Line 41 will be used to properly model the economic impact of the payroll including the value of benefits.

- NOTE: TOTALS ON LINE 29 SHOULD MATCH THE TOTAL VERMONT MEDICARE WAGES AND SALARIES PAID BY THE COMPANY FOR EACH YEAR.

Section 4: Capital Investments – Annual Expenditures

General Information on Capital Investments:

- Data entered for Year 0 should be for the entire year and is informational, baseline data. Capital investment data entered for Year 1 **must only include expenditures that will occur between the Activity Commencement Date and December 31 of Year 1**. Capital investment data entered for Years 1-5 must only include expenditures that will occur because of the incentive.
- Line 44 will automatically indicate the total of all Capital Expenditures you list. Line 45 will automatically indicate the total of all Capital Expenditures included on Lines 48, 50, 54, and 56, which are the capital expenditures that will have a revenue impact for the state. These capital expenditures make up your Capital Investment Target**.**
- The total on Line 45 represents your *Capital Investment Target* for each year of the five-year authorization period, and counts towards the 2 out of three targets that must be met by December 31 of each year to earn the incentive each year. Applicants must meet the Payroll Target and either the Employment Target or the Capital Investment Target in order to earn the incentive. Additionally, the total of the Capital Investment Targets must be met before the end of the award period or the total incentive amount will be reduced in proportion to the capital investment shortfall.
- Each of Lines 47-58 include different categories of capital investments. They are each separate and should not be added together. You must read the category description completely to understand the distinction between categories.

- Line 47: **Acquired Machinery and Equipment Amount:** For each year, enter the total annual expenditures for machinery and equipment that will be ***acquired***, which means the M&E already exists and is in place in Vermont but will be bought by and placed into service as an assets by the applicant and utilized in Vermont by the applicant and for the project that is the subject of this application. For Year 1, include only the investments in this category that will occur between the Activity Commencement Date and December 31 of Year 1. For example, if the applicant will purchase an existing building and equipment in Vermont and then purchase more new or used equipment, include on this line only the existing machinery and equipment that will be acquired. For any year in which there will be no incented expenditures in this category, enter 0.
- Line 48: **New Machinery and Equipment Amount:** For each year, enter the total annual expenditures by the applicant for **<u>new</u>** machinery and equipment for use in Vermont by the applicant and for the project that is the subject of this application. Include the costs to install the machinery and equipment. For Year 1, include only the investments in this category that will occur between the Activity Commencement date and December 31 of Year 1. For any year in which there will be no incented expenditures in this category, enter 0.
- Line 49: **New Machinery and Equipment Percentage:** For each year, enter the percentage of the expenditures on Line 48 that will be purchased from vendors within Vermont. For example, the company enters $100,000 in new machinery and equipment expenditures on Line 48 for Year 1. Of that total, $25,000 in equipment will be purchased from a manufacturer in Vermont and it will cost $5,000 to have the equipment installed by a Vermont firm. Enter “30” on Line 49 for Year 1, representing 30% of the total machinery and equipment expenditures for Year 1. If none of the machinery or equipment will be purchased from within Vermont, enter 0.

- Line 50: **Used Machinery and Equipment Amount:** For each year, enter the total annual expenditures by the applicant for **<u>used</u>** machinery and equipment that will be purchased and brought to Vermont for use in Vermont by the applicant and for the project that is the subject of this application. Include the costs to install the machinery and equipment. For Year 1, include only the investments in this category that will occur between the Activity Commencement date and December 31 of Year 1. For any year in which there will be no incented expenditures in this category, enter 0.
- Line 51: **Used Machinery and Equipment Percentage:** For each year, enter the percentage of the expenditures on Line 50 that will be purchased from within Vermont. For example, the company enters $100,000 in used machinery and equipment expenditures on Line 50 for Year 1. Of that total, $25,000 in equipment will be purchased from a re-manufacturer or another company in Vermont and it will cost $5,000 to have the equipment installed by a Vermont firm. Enter "30" on Line 51 for Year 1, representing 30% of the total machinery and equipment expenditures for Year 1. If none of the machinery or equipment will be purchased from within Vermont, enter 0.
- Line 53: **Acquired Plant and Facilities Amount:** For each year, enter the total annual expenditures for existing plant and facilities in Vermont that will be ***acquired*** and owned by the applicant and utilized by the applicant and for the project that is the subject of this application. For example, if the applicant will purchase an existing building and equipment in Vermont and then build an expansion or make renovations, include on this line only the cost of the existing facility to be acquired. For Year 1, include only the investments in this category that will occur between the Activity Commencement Date and December 31 of Year 1. For any year in which there will be no incented expenditures in this category, enter 0.

- Line 54: **New Plant and Facilities Amount:** For each year, enter the total annual expenditures for the construction of any new plant and facilities in Vermont that will be built and owned by the applicant and utilized by the applicant and for the project that is the subject of this application. Include costs of scheduled site work, access to supporting utility services, and infrastructure (parking lots, water/sewer lines, etc.) paid for by the applicant. For Year 1, include only the investments in this category that will occur between the Activity Commencement date and December 31 of Year 1. For any year in which there will be no incented expenditures in this category, enter 0.
- Line 55: **New Plant and Facilities Percentage:** For each year, enter the percentage of the expenditures on Line 54 that will be purchased from companies or provided by contractors from within Vermont. For example, new facility construction costs entered on Line 54 for Year 1 total $1,000,000. Of the total, $300,000 in materials will be purchased from Vermont suppliers and construction services provided by Vermont firms total $500,000. Enter "80" on line 55 for Year 1, representing 80% of the costs entered on Line 55, Year 1. If none of the materials or services will be purchased from within Vermont, enter 0.
- Line 56: **Plant and Facilities Renovations and/or Fit-up Amount:** For each year, enter the total annual expenditures for any fit-up to leased facilities or renovations to facilities in Vermont owned, or that will be owned, by the applicant and utilized by the applicant and for the project that is subject of this application. For Year 1, include only the investments in this category that will occur between the Activity Commencement date and December 31 of Year 1. For any year in which there will be no incented expenditures in this category, enter 0.
- Line 57: **Plant and Facilities Renovations and/or Fit-up Percentage:** For each year, enter the percentage of expenditures on Line 56 that will be purchased from companies or provided by contractors from within Vermont. For example, renovation costs entered on Line 56 for Year 1 total $500,000. Of the total, $50,000 in materials will be purchased from Vermont suppliers, plus construction services provided by Vermont firms total $200,000. Enter "50" on line 57 for Year 1 representing 50% of the costs entered on Line 56 for Year 1. If none of the materials or services will be purchased from within Vermont, enter 0.

- Line 58: **Land amount:** For each year, enter the total annual expenditures for land in Vermont that will be owned by the applicant and utilized by the applicant for the project that is the subject of this application. For Year 1, include only the investments in this category that will occur between the Activity Commencement date and December 31 of Year 1. For any year in which there will be no incented expenditures in this category, enter 0.

Section 5: Capital Investments – Type of Facility

- Lines 64 through 68: **Intended Facility Use Percentage:** For any year in which you entered investments for a facility that will be will be acquired, built, or substantially renovated, a dollar figure will automatically appear on Line 62. On Lines 64-68, assign a percentage to the various categories of facility use according to an estimated breakdown of the total investment. If "other" is used, indicate a description of the category. For example, in Year 1, Line 53 the applicant enters $1,000,000 to indicate plans to acquire an existing 100,000 square foot plant. The company will use 80,000 square feet for manufacturing, 10,000 square feet for warehousing, and 10,000 square feet for office space. For Year 1, enter "80" on Line 64, "10" on Line 67, and "10" on Line 66. In addition, in Year 3, Line 54 applicant indicates a $500,000 expenditure to build a 10,000 square foot addition, with 9,000 square feet for manufacturing and 1,000 square feet for office space. For year 3, enter "90" on Line 64 and "10" on Line 66. Percentages will automatically total on Line 63 and should equal 100%.

Section 6: Breakdown of Qualifying Job Creation:

- Lines 72-79: For the new qualifying jobs to be created in Years 1 – 5, provide a breakdown by job category, average annual wage/salary, and number of new, qualifying jobs for each category to be created each year during Years 1 – 5. Do not include any employees in this breakdown from any job categories other than full-time qualifying (i.e. owners, part-time, or full-time non-qualifying). Enter the "Job category" in the first column, the average annual wage or salary in the second column, and then for each of the five years, enter the number of each job category that will be created for each year. If no jobs will be created in that category in any year, enter “0.” **Do not** enter hourly wage rates or wage or salary ranges, Enter the **Average Annual Salary or Average Annualized Wages** for the position. The total jobs on Line 80 will enter automatically and should match the new qualifying job totals that appear on Line 25 for each year. Use broad categories such as: Production, Production Manager, Quality Control, Shipping/Receiving, Management, Administration, Maintenance, etc. Enter average wage/salary using format of: 24,960. For example, if the job category will pay a salary ranging from $24,000 to $26,000, depending on experience, enter 25,000. If the job will pay an hourly wage of $14.00 to $15.00 per hour, enter 30,160 (if employees will work 2080 hours per year). Dollar signs will automatically fill in. Note that since the jobs included in this section are all “Qualifying” jobs, there should not be any jobs listed with wages or salaries that are lower that the wage threshold (non-qualifying), nor should owners or part-time employees be listed. Use as many separate listings as needed for the different pay levels offered, even for the same job category. For instance, if you have a distinct category of production with an annual average wage of $25,000 and another at $28,000, indicate the different categories on separate lines. If more space is required because you have many distinct job categories, add rows to Section 6. Note that the data entered in the section will automatically populate the data in the beige outer edges of the form. Do not attempt to adjust the data that automatically enters, it is for administrative purposes. Note that the data you have entered on Line 38 should approximate the totals that appear on Line 94 (unless you have added rows to Section 6). If your data on Line 38 is not at or below the totals that appear on Line 94, you have made an error in calculating your payroll targets or when entering the data in Section 6.

Section 7: Estimated Hiring By Quarter:

Line 81: Enter, for each of Years 1 through 5, a “1,” “2,” “3,” or “4” to represent the calendar quarter during which the majority of the new qualifying jobs you entered on Line 25. Use “1” for Q1 or January – March, “2” for Q2 or April – June, “3” for Q3 or July – September, and “4” for Q4 or October – December.

FORM REVIEW AND CERTIFICATION

NOW THAT YOU HAVE COMPLETED THE PRELIMINARY APPLICATION FORM, OPEN THE DOCUMENT "*VEGI PRE-APPLICATION - COMMON APPLICATION ERRORS*." THIS DOCUMENT WILL HELP YOU AVOID SOME COMMON APPLICATION ERRORS THAT MAY CAUSE DELAY OR MISCALCULATION OF THE INCENTIVE. REVIEW YOUR APPLICATION USING THE FORM, CHECK OFF EACH ITEM TO CERTIFY THAT YOU REVIEWED THAT ITEM, CERTIFY THAT YOU HAVE DONE THE REVIEW AND FILL IN YOUR NAME, ETC AND FILE THE FORM WITH YOUR PRELIMINARY APPLICATION.